



IMI Newsletter

International Monetary Institute
Renmin University of China

Highlight

- 2018 International Monetary Forum Opening Ceremony Held in RUC
- Cross-border Financial 50 Forum Took Place
- The 2018 International Monetary Forum Focuses on “Financial De-Leverage and Systemic Risk Prevention”
- The 2018 International Monetary Forum • Panel 3
- The Fintech Session of the 2018 International Monetary Forum's Financial Technology Sub-Forum Held

Research

- Macro-Finance Salon No. 96—No. 99

Exchange

- The 2018 SinoPac Forum Was Held in the Headquarters of SinoPac Financial Holdings Co., Ltd..
- The Ninth Conference to Translate the IMF History Book Series Was Held at Renmin University of China
- Global Bank Internationalization Report Released for the Fourth Consecutive Year



Highlight

2018 International Monetary Forum Opening Ceremony Held in RUC

2018 International Monetary Forum Opening Ceremony Held in RUC, the 7th Annual RMB Internationalization Report Released

Co-hosted by the School of Finance of RUC and China Financial Policy Center and sponsored by IMI, the 2018 International Monetary Forum and the press conference of “RMB Internationalization Report 2018” was held at Renmin University of China on July 14th. Hundreds of renowned European, American and Asian experts and scholars from the financial management departments, research institutes and financial institutions attended the meeting. Zhuang Yumin, dean of the School of Finance and director-general of IMI, delivered an opening speech.

Liu Wei, the principal of Renmin University of China, pointed out in his speech that, this year marks the 40th anniversary of China’s reform and opening up. The past 40 years witnessed tremendous changes in China’s economy. China and the rest of the world have had a more profound influence on each other than ever before. As the current factors that shape China’s economy also undergo considerable changes, deepening the structural reform becomes a key strategic task in China’s economic and social development. Against such a backdrop, the international monetary forum could become an important platform to boost the economic and social development and RMB internationalization. The RMB Internationalization Report could become an important reference for decision-making in the process of RMB Internationalization.

The RMB internationalization report 2018 is themed “International Coordination of Macroeconomic Policies in Structural Change”. Xiang Songzuo, Deputy Director of IMI, drafted and analyzed the report: Due to the steady growth of China’s economy, the rational market expectations, the BRI and the opening up of the financial market, the RMB internationalization index (RII) has risen to 3.13, up by 44.8% year-on-year by the fourth quarter of 2017.

The keynote speech was hosted by the IMI director, Zhang Jie. The keynote speeches were delivered by several speakers, including the deputy director of the Development Research Center of State Council Wang Yiming, the vice-president of Chinese Academy of Social Science (CASS) Gao Peiyong, the chairwoman of the Silk Road Fund Co., Ltd. Jin Qi and the vice-principal of RUC, Wu Xiaoqiu.

Wang Yiming remarked in his speech that since 2017 RMB remained steady in general despite a huge depreciation resulting from market expectations. He thinks that the downward pressure of RMB was basically relieved and RMB will be stabilized soon. The fluctuations of

RMB were relatively small compared with other emerging markets currencies. He also thinks that in the next half of 2018, China's economy still faces risks and challenges, including the trade disputes between China and the US, the monetary policy changes of major economies, the risk relief in the process of deleveraging and the downward pressure on China's fixed-asset investment.

Gao Peiyong stated that the five years after the 18th CPC national congress witnessed profound changes at the macroeconomic level and also set a new standard for high-quality growth and a basic micro-control framework that fits the new era and the new normal. The new micro-control framework includes judgments about the macro-economic situation, development concepts, the major policy orientation, policy implementation and the new "principal contradiction".

According to his speech, we must stick to the macro-control system in dealing with new problems and new economic situations at home and abroad. And to do so, the change of mindset and thinking is very important.

Jin Qi addressed the process of RMB internationalization, the supply side of RMB internationalization better adapting to the demand side and RMB's vital role in the outbound investment. She believes that RMB's direct foreign investment will speed up the RMB internationalization and lead it to a new phase, in other words, the next phase will boost the RMB internationalization even further.

Wu Xiaoqiu summarized the past China's financial reforms and analyzed the prospects of RMB internationalization. According to him, China's financial sector has improved in the following six aspects since the reform and opening up: the fundamental growth in the size of the financial sector, the improved financial asset structure and the increased ratio of securitized assets, the household asset portfolio diversification, the great improvement in the finance function, the diversified financial models, and the boosted financial efficiency. Second, he stressed that the top policy agenda in the financial sector is the RMB internationalization: China must build a modern financial system, the key to which is building a new global financial center and achieving RMB internationalization. Thus, China's financial regulation reforms in the future should fit the two basic goals above.

Seven international monetary forums have been held so far and the forum now becomes an important comprehensive forum in the macroeconomic field. This year also marks the 40th anniversary of China's reform and opening up and a reflection point for China's economic transformation and upgrading. The 2018 International Monetary Forum's theme is "New journey of the reform and opening up: the history and future". In the two-day seminar, the guests will exchange ideas on five topics, namely "the New Landscape of Free Trade and Financial Openness Under the BRI", "Financial Deleveraging and the Prevention of Systemic Risks", "the International Micro-policy Coordination in the Changing Structures", "Transforming and Upgrading Real Economy via Fin-tech" and "the Financial Dialogue Between US-China Student Leaders".



Cross-border Financial 50 Forum Took Place

The International Monetary Forum 2018 took place in the Renmin University of China (RUC), Beijing, from July 14 to 15. In the afternoon of July 14, a thematic session was held on “Free Trade and Financial Reforms in the Context of the “Belt and Road” Initiative”, where participants discussed hot topics on financial reform and opportunities for renminbi internationalization. Moderated by the deputy dean of the School of Finance of RUC, Zhao Xijun, the session was dedicated as the annual summit of the Cross-border Financial 50 Forum and co-hosted by RUC International Monetary Institute (IMI) and the Modern Bankers magazine.

The deputy general manager of the China Investment Corporation (CIC), Qi Bin, chairman of Official Monetary and Financial Institutions Forum (OMFIF), David Marsh, and the former director of economic and business policy of London, John Ross, addressed the event.

In his speech, Qi Bin noted the current time was one of the best thanks to major technological advances, and yet one of the worst due to forces of anti-globalization and China-US trade disputes, and in such time, he indicated, the Belt and Road Initiative (BRI) was hugely important.

He suggested both countries should work together to find solutions that complement their weak points, in a time where China still lagged behind in terms of technology and the US manufacturing sector was in the middle of an industrial upgrade.

He cited a memorandum signed between CIC and Goldman Sachs to establish a China-US manufacturing sector cooperation fund and a Chicago industrial cooperation summit held as part of the initiative. He “bilateral fund plus industrial summit” model was an effective way to promote financial cooperation and bilateral investment, and could also be used to BRI and the vision of a Community of Common Destiny.

He also noted, in the context of a rising country, China should have a sovereign wealth fund of its own form to provide a more open public investment platform and benefit national economic development.

David Marsh pointed out the unpredictable policymaking of the current US administration might contribute to a China-EU partnership. He said that continued financial reform would bring prosperity and help strengthen the foothold of renminbi in financial transactions. He further noted that China had overtaken Germany in its foreign asset holdings, and now shifted to equity investment, as the Central Bank and CIC thought there was too much T-notes, which he thought was a reasonable step.

Also, he predicted that more assets and wealth management products would be denominated in RMB in the next 20-30 years, when US Dollar dominance would be under threat, however, this would be a long process, he said.

In his speech, John Ross addressed current developments of the US economy and reasons behind the double-down policy of the Trump Administration, which he said was dangerous. He said Trump’s tariff policy had resulted in four dangers: 1) large deficits, as the US deficits might exceed \$1 trillion; 2) slowed growth. The US, which grew by only 2.2%, might be hit harder than China; 3) arguments with allies; and 4) domestic political rivalries.

Moreover, he noted the “destruction of globalization” was wrong, as the American economy was basically sluggish, as indicated by economic data, and he said the Trump Administration, unable to reverse the trend, had to take measures to slow China’s growth.

According to him, the negative impacts of these measures were still to be felt, as the economy was temporarily in an upward course, until 2019 or 2020 when it was expected to decline. So, he thought, even the Trump Administration was unclear where these policies would lead the country. Finally, he advised China to better understand the American economy, and said it took time for misconceptions about China to disappear.

Ben Shenglin, the executive director of IMI and dean of Academy of Internet Finance, Zhejiang University, moderated a roundtable discussion on free trade and financial reform, one of the central issues in the reform. The session was participated by vice-principal of University of International Business and Economics (UIBE), Ding Zhijie; chief economist of Bank of China Hong Kong (BOC Hong Kong), Zhihuan E; chairman of Jiangsu Suning Bank Co., Ltd., Huang Jinlao; director-general of Shanghai Gold Exchange, Jiao Jinpu and the senior consultant and chairman of Taiwan Sinopac Holdings, Paul Chiu.

In an address titled “Coordinating Financial Reform Challenges in a Time of China-US Trade Frictions,” Ding Zhijie first outlined the general status of the financial reform. He noted greater steps in opening up the service sector was possible, although challenges remained, and liberalizing the capital account was relatively easy, but caution was needed. According to him, a line should be drawn between liberalizing the financial sector and liberalizing the capital account, and internationalization of renminbi should be repurposed as a tool to plough back money through trade. Finally, on foreign reserve, he suggested the Chinese government to reduce holdings in order to 1) stabilize the exchange rate of renminbi; 2) avoid running into troubles; and 3) counteract trade frictions.

Zhihuan E pointed out that the damage done by the trade friction was so far mostly on the financial sector than the real economy, indicating its effects were still to be fully felt. First, she noted as the value of US exports was far bigger than Chinese exports to US, China had few countermeasures to take and the effect of these measures began to reduce. Second, she said as most of China’s exports were processing trade and relied on large quantities of imports, it was hard for China to respond through devaluating the renminbi. Indeed, she reminded the Americans maintain trade surpluses since the 1970s and the target had been shifted from Japan to China. She indicated the protectionist measures taken by the Trump administration had connections with the sluggish growth in the aftermath of the 2008 financial crisis, and the trade frictions caused by the US against various parties would hinder global economic recovery. The financial markets worldwide, she said, might experience major volatilities as a result of these trade frictions.

On the possible US tariffs on \$250 billion worth of Chinese goods, she said that would push American businesses to set up factories in China, while Chinese enterprises would step up overseas expansion. Moreover, she said the shrinking trade surpluses was also good for RMB internationalization, and China should step up financial reform both in depth and width. Finally, she raised seven points relating to the overseas expansion of Chinese enterprises, multilateral trade, financial crisis response system and the role of “one country, two systems”.

Huang Jinlao addressed two examples illustrating relevance of the Chinese market to the US: merchandise market and financial market. First, he said although the merchandise market



was booming, it was irrelevant to the US, as the biggest share of consumption was housing and furniture. In contrast, he indicated China's imports from the US were mainly high-end manufactured products, an area where the US retains absolute dominance. Second, in terms of investment, he thought although there was much activity, the market relevance to the US was limited as China did not have to rely on US goods. Finally, on the financial market, he said the charm of asset management and insurance sectors was also limited. In conclusion, he said both financial and merchandise market were huge, but their charm was limited. In the end, free trade and financial reform, he commented, were mutually supportive; it was impossible to have a free trade environment without opening the financial sector.

Jiao Jinpu delivered a speech "the gold market reform and the experiences of Shanghai Gold Exchange." According to him, gold market was a major component of financial market, and international cooperation were particularly important in a time of trade frictions. He reviewed the achievements of the Chinese gold market in recent years, reporting the gold exchange had become the world's largest physical gold exchange, while the Shanghai Gold Benchmark Price had become one of the major global benchmarks. He noted more efforts were needed to expand its global business, using opportunities afforded by government strategies. His views on gold market reform can be summarized as follows: 1) prioritizing areas with favourable conditions; 2) establishing a sound framework of rules; 3) developing a financial infrastructure consistent with international standards; 4) reallocating resources.

Paul Chiu addressed the index gauging the RMB weight in the SDR basket and the Taiwan practices in risk management. He agreed with the two points made on RMB internationalization and financial reform by Zhou Xiaochuan, the former governor of the PBOC. He noted the SDR weight index should be maintained at a stable level. Financial performance was the number one criterion in deciding SDR weight, he said, therefore bond issuance would help strengthen RMB status. Moreover, he made three points illustrating the risk management practices in Taiwan: 1) loans have a direct bearing on housing prices; 2) centralized management of financial statements of subsidiary companies; 3) bank credit. Finally, he noted the Taiwan stock market was stable thanks to low debt-equity ratio, a reason that attracted foreign bond buyers.

Later, a panel discussion was held by chief researcher of BOC Zong Liang on the issue of "Belt and Road Initiative and RMB internationalization". Panellists include: Guo Jianwei, governor of the PBOC Urumqi Central Sub-branch; Han Hongmei, chairman of China-African Fund for Industrial Cooperation; Tu Yonghong, deputy director of IMI and assistant director of the Financial Work Bureau of the Sichuan Provincial Government; Zhu Yuanrong, general manager for international operations of the Postal Savings Bank of China; and Zhuan Enyue, vice-president of China Cinda Asset Management Co., Ltd.

In his address titled "RMB Internationalization Along the Silk Road Economic Belt", Guo Jianwei noted infrastructure and market reform had offered great opportunities, and efforts were needed to be aligned with the reshaping global industrial structure. The governor demonstrated three types of mismatch of financial resources in the countries along the "Belt and Road" initiative: currency mismatch, investment timeframe mismatch, structural mismatch.

He noted renminbi could be used as the "hidden anchor currency" of these countries. On the regions of priority, he noted an inevitable step along the Economic Belt would be Central

Asia, a region with heavy trade reliance on China. He warned, however, that there would be challenges on liberalizing exchange rate and creating demand.

Han Hongmei addressed the possibilities of internationalization through China-Africa industrial cooperation. She noted China and Africa had a lot of common ground in their approaches to development. Industrial cooperation, she said, would create a large number of jobs and promote economic development as some Chinese sectors moved to the continent. Moreover, she cited the many advantages Africa possessed, including population dividends, high economic growth, bulging middle class and abundant natural resources. The recent China-US trade frictions added to the reasons why Chinese enterprises had shifted focus to Africa, she noted.

She explained the fund aimed to improve the life quality of locals by provide funds into Chinese projects, while minimizing the debt burdens of these African countries.

She said the huge market in local IT, energy and consumer product sectors and the demand for Chinese products provided opportunities to expand RMB use, while the strict foreign exchange controls was ideal for the risk-averse Chinese entrepreneurs. She suggested bilateral trade activities should be cleared directly in RMB and security be enhanced.

Professor Tu Yonghong noted BRI was an important channel for RMB internationalization. She said, however, the currency was not freely available in the countries covered by the project given established US dollar/euro clearing infrastructures, and suggested the exchange cost be reduced in order to enable direct exchange. She referred lack of a say in trade activities and particularly commodity trading as another factor hampering internationalization. Finally, she offered two remedial measures: 1) maintaining stable economic growth and working on key technologies; 2) stimulating innovation.

Zhu Yuanrong mentioned some of the issues affecting investment in the context of BRI. These include 1) lack of activity in trade finance, as banks finance mostly infrastructure projects and livelihood projects; 2) low presence of commercial banks in participating countries and poor management; 3) lack of funds to support RMB supply. He suggested allowing banks with sufficient funds to participate in the process.

Zhuang Enyue noted China had become the second largest economy and the top trading partner, with total imports and exports accounting for 11% of the world's total, but RMB only made up a 0.98 percent share in global payments in 2017, indicating huge potential. Moreover, he noted BRI and RMB internationalization would support each other, in that increasing trade volumes and financing needs would expand RMB use, thus making firms more confident about RMB transactions. He suggested efforts be built on existing financing platforms to support the long-term viability of BRI. Meanwhile, in a complex global environment, it was also necessary to guard against various risks .

The International Monetary Forum has become an important platform for macrofinance policy discussion, and this year's event took place in the midst of the 40th anniversary of the Reform and Opening-up. The time is also an intersection where China is shifting its development mode and advancing financial reform. In the two days' meeting and under the theme of "New Chapter of Reform and Opening-up: Past and Future", participants discussed several topics, including "New Dimensions of Free Trade and Financial Reform in the Context of the 'Belt and Road' Initiative" "Financial Deleverage and Safeguarding Systematic Risk" "Worldwide Policy Coordination Amid Macroeconomic Adjustment" "Financial



Technology as a Driver of Economic Transformation” and “China-US Student Leaders’ Dialogue”. The opening ceremony included a release of the 2018 Report on RMB Internationalization. The report announces thanks to solid economic growth, rational outlook, together with progress in the “Belt and Road” Initiative and financial reform, the Renminbi Internationalization Index, by the fourth quarter of 2017, achieved a strong rebound to 3.13, or a 44.8% y.o.y increase.

Cross-Border Financing Forum 50, the summit’s organizer, is proposed by International Monetary Institute and The Banker magazine, under a context of the expanding “Belt and Road” Initiative and cross-border financing market. It aims to be a non-profit cross-border financing think-tank, a forum of ideas promoting infrastructure and innovation and a discussion platform for policies, theories and practices, and will respond actively to a call of President Xi Jinping for further opening up the financial sector, by providing policy inputs for the Initiative and a forum for various ideas.

The International Monetary Forum has been held for seven sessions, and become an important platform for macrofinance policy discussion. This year’s event took place in the midst of the 40th anniversary of the Reform and Opening-up. The time is also an intersection where China is shifting its development mode and advancing financial reform. In the two days’ meeting and under the theme of “New Chapter of Reform and Opening-up: Past and Future”, participants discussed several topics, including “New Dimensions of Free Trade and Financial Reform in the Context of the ‘Belt and Road’ Initiative” ”Financial Deleverage and Safeguarding Systematic Risk” “Worldwide Policy Coordination Amid Macroeconomic Adjustment” “Financial Technology as a Driver of Economic Transformation” and “China-US Student Leaders’ Dialogue”.

The 2018 International Monetary Forum Focuses on “Financial De-Leverage and Systemic Risk Prevention”

The 2018 International Monetary Forum was held at Renmin University of China from July 14 to 15. As one of the themes of the Forum, the session of "Financial De-Leverage and Systemic Risk Prevention" was held to discuss hot topics such as financial de-leverage and systemic financial risk prevention system on the morning of July 15. The forum was presided over by the Qu Qiang, director of the Financial Policy Research Center of Renmin University of China. Wang Guogang, member of the Chinese Academy of Social Sciences, and Liu Qingsong, researcher at the China Securities Regulatory Commission, delivered a keynote speech.

Wang Guogang pointed out that the current use of the indicator "total debt size/ GDP" to measure leverage is against economic principles. Meanwhile, there is no inner connection between total debt and GDP, which makes it impossible to reveal the inherent relationship of the financial risks. Therefore, he pointed out that the asset-liability ratio should be used instead to study the leverage ratio. In terms of the total assets and liabilities of China's industrial enterprises above designated size, the asset-liability ratio was 55.5% in 2017. Compared with large European and American enterprises, the debt ratio is very low, but the medium and long-term liabilities of Chinese enterprises are lacking. At the same time, financing is difficult and expensive, and the capital is in shortage. Debt assets, as a component of the entities' operating assets, can alleviate above problems. It can enhance and increase the profitability of enterprises. Moreover, in the right column of the balance sheet, medium and long-term bonds are listed under current liabilities and above the owner's equity. They have the nature of capital. From this point of view, Chinese enterprises should not de-leverage but should instead adjust their "debt structure" by increasing medium and long-term liabilities, and reducing current liabilities, thereby balancing the debt structure. In this way, we can adjust China's leverage ratio and ease current debt problems.

Liu Qingsong delivers a speech on “Financial Market: Reflections on the Structural Deleveraging”. He interprets “structural deleveraging” as reducing the overall leverage ratio sector by sector, especially that of the local government and SOEs. He stresses that financial deleveraging, as a long-term process, may last longer than leveraging and thus cannot be done hastily. The deleveraging decisions should be made based on sound judgments on the reasonable leverage ratio. In his view, deleveraging is essentially a process of deepening reform and shifting the development mode. The debt level is a natural result of economic operations, an “end” rather than a “means”. We cannot deleverage for the sake of deleveraging. The deleveraging process should be market-oriented and law-based, instead of following executive orders. Liu then introduces China’s current financial deleveraging situation. He points out that margin trading and short selling in the stock market have declines from the 2015 peak. He notes that the leverage ratio of the stock market and the bond market is controllable and that of the securities company stands at three to four times, much lower than the international average level. But he also calls for attention to how financial deleveraging impacted real economy and warns against the risk of soaring household leverage.



Lastly, Liu shares the following six reflections on financial deleveraging: (1) Financial deleveraging must serve the real economy. (2) China must promote equity financing. (3) High-performing securities companies could leverage up reasonably. (4) The government must improve the supervision on financing services and crack down on illegal financing and illegal margin trading. (5) The new asset management regulations should be carried out so as to remove the multi-tier nesting and eliminate the regulatory arbitrage. (6) The government should be wary of the growing household leverage.

Le Xia, the Chief Economist for Asia at BBVA Research Department, presides over the roundtable discussions on “Financial Deleveraging and the Prevention of Systematic Risks”. Professor Ding Jianping, the deputy dean of SIIFC, and director of Research Center for Modern Finance SHUFE, Guan Qingyou, the head of Rushi Advanced Institute of Finance and chief economist, Hua Ercheng, the chief economist of Baoshang Bank and former lead economist for China at the World Bank, Xiao Geng, Professor of Practice in Finance and Public Policy at Peking University HSBC Business School and President of the Hong Kong Institution for International Finance, Zhang Ming, director of Research Section of International Investment at Institute of World Economics and Politics of Chinese Academy of Social Sciences and China Finance 40 senior researcher Zhang Bin have conducted in-depth exchanges on issues such as prevention of financial risks.

Ding Jianping considered, currently the “fear” of foreign exchange market comes from the rapid deflation of external countries’ currencies and spreading effects of crisis, media’s “ignorance” about reference substance and measuring standards of RMB currency rate in the new era and worries about the “liquidity” of markets due to decreased funds outstanding for foreign exchange brought by reduced reserve. Therefore, China must promote FTZ accounts to oversee capital flight and enable enterprises to gain liquidity through “RMB capital pool”. With the operation space of monetary policy being compressed, China must adopt structural monetary policy and fiscal policy to ensure liquidity of enterprises and prevent slowdown in economic growth. Currently, RMB is facing pressure of deflation, but remains stable.

Guan Qingyou said, in these years, China’s efforts to deleverage are very correct, but it’s time to take moderate hedging strategy and adjustments. Because on the one hand, the external environment has changed and trade frictions have become prominent. On the other hand, there are also changes in the internal financial circle of China and will be more downward pressure. However, China will not take the same monetary easing policy.

Hua Ercheng pointed out that since the beginning of 2016, the growth rate of leverage ratio in non-financial sectors has steadily declined and now levelled off and that financial risks have reversed the upward trend. The rebound of investment and financing efficiency ensures faster economic growth despite the slower growth of leverage ratio. However, the current leverage ratio is still high. Therefore, we should continue to promote the supply-side reform and opening measures that “make the market the decisive force”, especially in the financial market and the real economy, including the service sector and state-owned enterprises. At the same time, we must give full play to the role of the government so as to achieve “inclusive growth”.

Xiao Geng is optimistic about China's leverage and systemic risk because the risks of real estate, stocks, shadow banking and foreign exchange speculation have almost disappeared. However, other countries are still not optimistic about China's leverage and systemic risks

because they look at numbers instead of the underlying reality. What China urgently needs to do now is to write off accumulated bad debts and unify all financial markets.

Zhang Ming believes that China's economy currently faces a trilemma of the uncertainty of the external environment, the prevention and control of financial systemic risks and the steady growth of the national economy. In terms of leverage, he believes that what's scary is not the high leverage ratio of Chinese companies but that of the government and residents. He also mentioned that one of the most warning indicators of China's macro economy this year is that the current account balance in the first quarter has turned negative, which means that China might have twin deficits in balance of payments in the future.

Zhang Bin believes that the hidden debt problem of local governments is now the most acute one, and a considerable part of their newly added 40 trillion RMB debts are facing solvency problems. On the one hand, the money is mainly used for infrastructure construction, and the rate of return is low; On the other hand, a large number of cities in China are facing population loss, and for a long time, the infrastructure debts of these cities may never be repaid. China needs a standard infrastructure financing mechanism design.

The International Monetary Forum has now evolved into an important comprehensive forum in macro finance. This year marks the 40th anniversary of China's reform and opening up, and is also an important historical point for China's transformation and upgrading of its economic development and the comprehensive deepening of its financial market reform. The 2018 International Monetary Forum is themed "The New Journey of Reform and Opening up: History and Future". The guests will have a two-day discussion on these five topics: "New Pattern of Free Trade and Financial Opening under the Belt and Road Initiative", "Financial De-Leveraging and Systemic Risk Prevention", "International Coordination of Macroeconomic Policies in Structural Change", "Financial Technology Drives the Transformation and Upgrading of the Real Economy", and "Financial Dialogues between Chinese and American Student Leaders".

For more details of the discussion of the 2018 International Monetary Forum and more expert opinions, please keep up with the IMI Financial Watch.



The 2018 International Monetary Forum • Panel 3

On July 5th, 2018 International Monetary Forum • Panel 3 (Closed Meeting) was held at RENMIN UNIVERSITY OF CHINA by the School of Finance and China Financial Policy Research Center; organized by International Monetary Institute. The theme of the successful panel was “Macro Policies’ International Coordination Amid Structural Transformation”. Long Guoqiang, Deputy director of Development Research Center of the State Council attended and delivered a keynote speech. Other speakers included Jia Kang, chief economist of Huaxia New Supply Economics Institute and former director of China Academy of Financial Sciences; Wei Gejun, president of China Financial Publishing House; Li Wenhong, director of the Business Innovation and Supervision Cooperation Department of the China Banking and Insurance Regulatory Committee. The Panel was hosted by Prof. Ben Shenglin, co-director of IMI and founding dean of Academy of Internet Finance at Zhejiang University.

In the keynote speech, Long Guoqiang first analyzed the necessity of macro policies’ international coordination. The innovation of the international economic transmission mechanism and the interaction and integration of economies amid deepening globalization have raised more complicated and specific requirements for planning macro policies in the new era. Particularly, macro policies are largely steered by economies’ responsibility and willingness in the stage of deepening globalization. Macro policies’ coordination has become more difficult for economies. According to his analysis, facing a complicated situation, China should respond flexibly and leverage multilateral platforms to improve the coordination ability and develop innovative thinking. Meanwhile, it should improve the governance capabilities and capitalize on think tanks to gain louder global voice and improve soft power comprehensively.

Jia Kang delivered a key speech on the international coordination of China's macro policies from the perspective of China's strategy. He pointed out that facing this issue, China must first map out strategies for the new era, which should reflect on Deng Xiaoping’s “being good at defending and making a difference”. Given China’s positioning of peaceful rise in the new era, the strategies should cope with structural reforms and monetary policies. Then, he quoted the classics and analyzed the development path of structural reforms and macro policies’ international coordination: having a firm faith, riding the tide of the times, and seeking win-win outcomes to actively meet monetary problems and make sincere, pragmatic and multi-level exchanges with others based on the peaceful development demands.

Wei Gejun delivered a keynote speech from the perspective of decision-making on currency issues and the improvement of monetary policies. He first pointed out that the formulation of macroeconomic policies and internationally coordinated thinking are interdependent. The enactment of macroeconomic policies is the result of international coordination. Economies have different policy objectives and economic situations and therefore, international coordination is complex in terms of decision-making. He argued that for a country, international coordination should be based on a more fundamental thinking. Each economy should be committed to modernizing and optimizing its decision-making based on its policies and economic strength. Countries should be steadfast in following its path, especially in the context of trade war.

Li Wenhong delivered a keynote speech from the aspect of international experience in financial risk prevention. She started from illustrating foreign experience in separate operations and risk management and analyzed how economies like the US and the EU have implemented internal and external policies based on market volatility and risk management. She then compared China's financial industry development with that of these economies and pointed out the difficulties faced by China in dealing with the international coordination of macroeconomic policies, especially the contradiction between institutional financial concepts and national financial management. She later pointed out that the corporate governance and risk management system of financial institutions in China are not sound, that the regulatory capacity needs to be improved, and that the development of the financial system and institutions is still in its infancy. On the basis of separate operations, we should act cautiously by establishing a strict firewall for the financial industry and maximizing the synergy of regulatory agencies.

After the speeches is the roundtable discussion. The following attendees discussed in depth the challenges and opportunities for the international coordination of macroeconomic policies: Wang Yongli, former vice president of Bank of China, Feng Bo, former general manager of Dalian Commodity Exchange, Shi Bin, chairman and general manager of China Securities Cloud Co., Ltd., Deng Ge, deputy director of the supervision department of listed companies of China Securities Regulatory Commission, Yan Xiandong, deputy director of the Survey and Statistics Department of People's Bank of China, Wang Shengbang, deputy director of the Prudential Regulation Bureau of China Banking and Insurance Regulatory Commission, Qiu Zhengxiong, top adviser and director of SinoPac Holdings in Taiwan, Chen Weidong, director of the International Finance Institute of Bank of China, Li Jianjun, dean of the School of Finance, Central University of Finance and Economics, Adam Cotter, OMFIF Asia Director and Chief Representative in Singapore, Yuan Lasheng, professor of the Department of Economics, University of Calgary in Canada, Chang Jian, Chief Chinese Economist at Barclays Capital, Yu Pingkang, Chief Financial Market Expert in Insurance Association of China and Secretary General of Chief Expert Think Tank, Guo Haiying, Secretary General of the Educational Foundation and of the Alumni Association in Renmin University of China, Tu Yonghong, Deputy Director of IMI and Assistant to Director of the Sichuan Provincial Bureau of Financial Work, Guan Wei, Executive Director of the Credit Management Research Center of Renmin University of China, Zhu Qing, professor of the School of Finance of Renmin University of China, Tan Songtao, deputy dean of the School of Finance of Renmin University of China, and members from the research team of the *RMB Internationalization Report 2018* and members from the IMI research team.



The Fintech Session of the 2018 International Monetary Forum's Financial Technology Sub-Forum Held

On the afternoon of July 15, the "2018 International Monetary Forum: Fintech Session" was held at Yifu Hall, Renmin University of China, organized jointly by the International Monetary Institute, Renmin University of China (IMI) and the China Fintech 50 Forum (CFT50), co-organized by Shanghai OneConnect Technology Co., LTD. The theme of the session was "Fintech and the Development of Real Economy". Li Lihui, Head of Blockchain Working Group of the National Internet Finance Association and former President of Bank of China, Wang Zhongmin, Former Deputy Chairman of the National Council for Social Security Fund of China, Li Jiang, Chief Technology Officer, Microsoft China LTD, and Huang Yuxiang, Chief Technical Officer and Chief Operating Officer of Shanghai OneConnect Technology Co., LTD. delivered keynote speeches. Leading experts from the government and academic world, as well as representatives of advanced enterprises in the fields of big data, artificial intelligence, and blockchain technology participated in the forum. The session was reported by nearly 100 mainstream financial-economic and Fintech media.

The meeting was hosted by Yang Tao, Member of IMI Academic Committee, Deputy Director of National Institution for Finance & Development and Chief Economist of CFT50.

In the report of the 19th National Congress of the CPC, General Secretary Xi Jinping pointed out that the economic priority shall go to the real economy, and that the real economic ability of the financial services shall be strengthened. The 2018 report on government work also proposed that more funds shall be invested into small and micro enterprises, into "agriculture, rural areas and farmers" and poor areas to better serve the real economy. At the same time, emerging technologies such as artificial intelligence, blockchain, big data, cloud computing and smart investment, are deeply integrated with finance, and as a result, fintech has been developing at an unprecedented rate. Fintech is built on science and technology and its nature is digitalization. Through technology, it transforms financial services, improves the overall efficiency of financing and helps the financial sector eventually return to its origin as the server to the real economy. In this context, we will explore how to make full use of fintech's ability to help the real economy, and how to realize a virtuous circle between the financial sector and the real economy. We will also discuss questions such as: what regulatory methods are the best for fintech; how to strike a balance between innovation and financial security; how fintech can better serve small and micro enterprises, farmers, agriculture and rural areas, and public consumption while protecting consumer's rights.

Li Lihui believes that this round of opening-up in the financial sector has three major features: 1. The transformation from protectively limited openness to the full opening-up of national treatment; 2. Synchronized expansion of the financial industry and strict supervision, returning wealth management businesses to their origins, incorporating Internet finance into the norm, and implementing parallel supervision on financial risks; 3. Synchronized expansion of financial industry and Fintech innovations such as big data, artificial intelligence, cloud computing and blockchain, updating productivity and restructuring financial services models. All in all, comprehensive openness, penetrating supervision, and iterative innovation

are becoming the main features of the financial industry in the new era. In order to create an efficient and stable environment for financial development, we must pay attention to maintaining financial security, improve the efficiency in regulation and be real to the origin of finance.

Wang Zhongmin delivered a keynote speech entitled “Three-Dimensional Logic of FinTech Fully Serving the Real Economy”. The first dimension is credit, which means allocating financial resources to the most credit-worthy scenarios so as to help enterprises with good credit receive financing in the capital market. The second dimension is risk. Finance plays the role of assessing risks during transactions. FinTech helps the market recognize risks more clearly and accurately, thereby mitigating, trading, and isolating risks. The third dimension is cost. FinTech achieves self-credit of the system and reduces the transaction costs of the financial system and the real economy through decentralization. In addition, the business model of “open source + cloud infrastructure” will greatly slash the cost of starting a business. Speaking of FinTech mitigating financial risks, Wang Zhongmin pointed out two things. First, derivative markets can be developed to contribute to tradable and transferable risks and control the risks of the financial system itself. Second, FinTech reduces credit risks through technical means. Wang Zhongmin also pointed out that FinTech can fully achieve free market competition by protecting the equal rights of participants. High returns in the field of FinTech is based on meeting the needs of the real economy, and can solve deep-seated problems of the credit logic. He said that the healthy development of FinTech will fully serve the real economy, and that FinTech has promising growth potential.

Li Jiang elaborated his views on FinTech and the real economy in four aspects. First, the digital transformation of FinTech and the real economy. In China, both FinTech and the real economy are witnessing rapid changes. Digital transformation is the trend and it is massive in terms of its magnitude, scale and depth. Second, financial institutions lag behind the real economy in digital transformation. In the past, financial institutions were at the forefront of informatization due to factors such as the investment scale. However, many enterprises in the real economy have now surpassed financial institutions in terms of data release and other aspects. Third, core technology is needed for FinTech to serve the real economy. “Embracing open source, embracing the community, embracing openness.” We must resolve the major contradiction between FinTech and the real economy from a higher institutional level. Fourth, suppliers or partners should be involved in the financial innovation to build a new system for solving problems of trust through blockchain. Finally, he also noted that the links and similarities of FinTech and the real economy should be found, especially the underlying technology and essence. Technology should not solely be treated as a tool and productivity means, but as a type of ecology, a form of life and a very important form of future companies. These forms determine the company's survival and valuation in the future and also decide whether the real economy and technology can be integrated better and more effectively.

Huang Yuxiang addressed a speech titled "Fintech development trends and its applications in SMEs". He came to the following conclusions based on the analysis of Fintech development trends, Ping An fintech layout and practical experiences, the current situation of credit market of SMEs in China, and solution of Yi Qi Yin (the Cloud Platform for Intelligent Finance of SMEs). First, global fintech market has been growing steadily accompanied by the rapid expansion of Chinese market, Fintech companies has now become an indispensable



participant in the financial service market. Their top priority lies in solving hard nuts for industries and clients. Secondly, ONECONNECT should create an ecosystem on the cloud platform through technology as a strategic enabler. It can provide services for financial institutions and enterprises, and facilitate the development of small and medium-sized financial institutions through cloud computing and ecosystem. Thirdly, the market of small and macro enterprises at present is huge, Yi Qi Yin will then serve as the bridge between small and macro enterprises and finance. It helps SMEs to tackle difficulties through technology, empowers small and medium-sized financial institutions, and materialize SMEs financing. At last, Mr. Huang introduced the platform of Yi Qi Yin, the core technology of ONECONNECT. He also believed that the data accumulation of intelligent risk control platform and financial institution server represents the real value of Yi Qi Yin.

During the forum, School of Finance of Renmin University of China, ONECONNECT and National Internet Finance Association have co-published the White Paper on Financial Service and Fintech Research of SMEs. Huang Yuxiang (chief technical officer and chief operating officer of ONECONNECT), Li Peng (the person in charge of ONECONNECT small business financial center), Jiang Lijun (the vice secretary of the National Internet Finance Association) and Xiang Songzuo (the deputy director of IMI) left their hand-prints altogether to complete the publishing ceremony. The deputy director then host the publishing ceremony and illustrated the details of the White Paper.

Xiang Songzuo made an in-depth analysis about the reasons of financing constraints existed in small and macro enterprises and took specific examples to prove the conducive effects of Fintech in solving such problems. He summarized three difficulties confronted by small and macro enterprises. The first difficulty lies in credit rating due to the lack of information at its core. Second is the problem of mortgage, for SOEs and real estate companies have occupied the majority of social financing. Third, small and macro enterprises can hardly provide services and the costs are more expensive. Later, he listed the actual application scenarios of Fintech in terms of AI, big data, blockchain, cloud computing and biological recognition. Mr. Xiang believed that Fintech could tackle most difficulties in financing of small and macro enterprises. At the end of the speech, he conveyed the best wishes to those newly-merging Fintech enterprises, hoping they will discover a unique path to solve the financing constraints thoroughly.

One of the two roundtables in session IV titled “How Fintech Can Empower Real Economy” was chaired by Jin Wei, Vice Chairman of Cultural Finance Center of National Finance and Development Lab. Guests including Guo Zhenzhou, Quake Finance Founder and CEO, Fan Zhen, General Manager of Hairongyi Products, Lezhuan Financial Services, Li Peng, The Person in Charge of Yi Tongzhang Small Business Financial Center and Ji Lei, Founder and Director of Medical Financial Services presented in the discussion and delivered speeches. Guo held that currently, fin-tech only achieved big data and atomization, yet intellectualization and deep learning just remain their early stage. He added that in the future, the company will continue to embrace innovation, strengthen investment in intellectualization and deep learning. Meanwhile, he mentioned that the company will take efforts to develop other applications of blockchain except for digital currency, for example, credit management.

Fan zhen believes that in order to solve the problem of small and medium-sized enterprises' difficulty in borrowing, financial technology should be down-to-earth. Scientific

and technological factors should be applied to small and medium-sized enterprises' financing. For example, financial technology means such as big data, AI and cloud computing should be used to obtain the risk control data of small and medium-sized enterprises. Through in-depth understanding of the capital flow, logistics and information flow factors of small and medium-sized enterprises, Lezhuan Financial Services will serve the real industry and explore the real needs of the industry step by step. Only in this way can the small and medium-sized enterprises solve the problem. We can “cultivate” supply chain finance with financial technology, and truly solve the financing difficulties and expensive problems of small and medium-sized enterprises.

Li pointed out that Yizhangtong, through the integration of micro expression technology, block chain and data detection technology, could help financial institutions to identify, share and control the risk of small and medium-sized enterprises, this can not only facilitate the small and medium-sized enterprise financing, and can better control the risk.

Ji Lei expressed his viewpoint by taking health care industry as the background, and gave the example of the Medical Financial Services “N=1” digital supply chain new model. According to Ji, in such a digital era, nobody can keep away from the internet and data, therefore, health care industry must also take the step to reform and realize dadamation. Fin-tech and blockchain actually make risks more controllable, and finance more inclusive.

Roundtable II “Block Chain Technology and Finance” was chaired by Yan Wentao, President of Zhongchengxin Credit Investigation Co. LTD. Guests including Zhang Yifeng, President of the China Banknote Blockchain Technology Research Institute,

Yan Ying, Director of Ant Financial Block Chain, Li Wei, CEO, Hyperchain Technologies Co., Ltd., Gu Wei, President of Tongdun Institute of Finance and Technology delivered their speeches. Zhang pointed out that blockchain technology has been applied in certification, payment, multi-parties reconciliation and supply chain finance, etc. The unique technical value of block chain technology includes constructing one-way ordered time axis through chain books, eliminating the uncertainty in information and transaction processing through consensus accounting mechanism, and accurately determining the right in real time.

Ying Yan takes “Explorations of Ant Blockchain in finance” as the topic of her speech. First of all, she discusses the value of the blockchain and thinks that in the future business model will certainly change, and digitalization will become the most important business strategy. Products based on digital raw materials rely on blockchains to provide trusted data. The Ant Blockchain must firstly solve the practical problems, secondly constantly overcome the bottleneck of large-scale scenic technology, and thirdly establish a good blockchain ecology together with partners. However, we strongly reject ICO and air coins, do not use illegal applications, and will not damage user data security and privacy. Moreover, the Ant Blockchain independent property rights and open ecology are discussed. Subsequently, Ying Yan says that the positioning of the Ant Blockchain is to build a credit link infrastructure, including data credibility (public interest, insurance), material trust (trace), asset credibility (cross-border payment), people trustworthy (tenement), and then she introduces the case in every aspect mentioned above. Finally, Director Yan summarizes the blockchain technology with “warm technology” and believes that the blockchain technology is continuous, transparent, inclusive, safe and credible. It will integrate into our lives, truly support the development of the real economy and solve everyone’s real problem.



Li Wei believes that the blockchain has three main functions: one is that the blockchain can be used as a credible credential, and the data and calculation can be trusted; the second is to realize data assetization and realize social digitization; the third is that the blockchain can help implement distributed commerce. Blockchain is not a purely technical issue, but a systematic project that requires experts from all walks of life to study.

Mr. Gu Wei first introduces Tongdun Technology Co., and then talks about financial technology. He believes that the blockchain is an emerging technology. The company applies blockchain technology to risk management and risk sharing. We are also exploring the application of this technology into security management. Moreover, supply chain finance solves information asymmetry and provides a trust mechanism.

The Financial Technology Sub-forum ends in an atmosphere of intense academic discussion. The guests agree that financial technology will play an important role in the transformation and upgrading of the real economy, and will help finance better serve the social well-being.

Research

Macro-Finance Salon

Editor's Note:

Macro-Finance Salon is a high-level academic salon initiated by IMI and Department of Money and Banking of School of Finance at RUC. The salon aims at promoting the study and practice of Macro-Finance, as well as its disciplinary program, while carrying out in-depth research on Macro-Finance theory, policy and strategy. The concept of "Macro-Finance" stems from Professor Huang Da's fundamental idea of integrating macro and micro financial theory, which systematically regards finance and real economy as a whole. In the book of "General Theory of Macro-Finance", Chen Yulu, Deputy Governor of PBoC, demonstrates the fundamental connotation and methodology of Macro-Finance, laying theoretical and empirical foundation for Macro-Finance framework, which facilitates long-term economic growth and stronger national competitiveness.

Macro-Finance Salon (No. 96): Global Macro Risks and Opportunities

On June 9th, Macro-Finance Salon (No.96) organized by IMI was successfully held in conference room 701 in Mingde Main Building. The Investment Director and Chief Economist of the Deepwater Capital Sun Mingchun delivered a speech entitled "A Decade After the Global Financial Crisis: What's the Next Crisis?" The meeting was chaired by Zhang Zhixiang, member of IMI Academic Committee, former Director-General of International Department, PBoC and Former Executive Director for China in IMF.

Sun Mingchun talked about his experience in responding to the Asian Financial Crisis and his thoughts on working in the Lehman Brothers during the 2008 Global Financial Crisis. Then he explores the possible timing and the chance of the next financial crisis. Based on the analyses of the US economy and the stock market, he thinks the overall risks in the first half of 2018 and 2019 are controllable. Nevertheless, he elaborated on the major macro risks including hasty tightening of the monetary policies, uncertainties in the European politics, fragilities of the emerging markets, another imbalance in the commodity market, crowded trades, Trump administration's uncertainties and geopolitical risks.

In the discussion, the guests interacted and exchanged ideas with each other. They discussed the following hot topics: early-warnings in the international monetary system, financial liquidity, structural changes in the international market, impacts of a US-China trade war, commercial banks' role in the crises, the financial risks categorization and the cumulative process.



Macro-Finance Salon, a high-level academic salon jointly organized by IMI and the School of Finance of Renmin University of China, has four series, namely Policy Experts, Academic Experts, Top Talents and Young Scholars. Based on China's practice and following the latest international trends, the Salon is a high-level, specialized and open academic exchange platform that facilitates policy and strategy studies, the "Micro-Finance" discipline building in the new era and the implementation of macro-financial theory.

The concept "Macro-Finance" is derived from Prof. Huang Da's notion of combining the macro and micro financial theories and it is in line with the approach of treating finance and the real economy as a whole. Chen Yulu, the deputy governor of PBoC, explained the concept and its methodology in his book *A General Theory of Macrofinance and created the theoretical framework and Empirical basis for the "Micro-Finance" system* whose development is conducive to China's long-term economic growth and the national competitiveness.

Macro-Finance Salon (No. 97): Africa: Improving Growth Potential

On September 7, 2018, Macro-Finance Salon (No. 97) organized by the International Monetary Research Institute (IMI) of Renmin University of China was successfully held in Room 602 of Beijing Cultural Building. Abebe Selassie, Director of Africa Department, IMF, delivered a keynote speech titled "Africa: Improving Growth Potential". Dominique Desruelle, Deputy Director of IMF Africa, Li Xiangming, Deputy Division Chief of IMF Africa, Zhang Chongqing, Executive Vice President of China Group Companies Association, Wen Jiandong, Deputy General Manager of China-Africa Fund for Industrial cooperation, Wei Benhua, IMI Academic Committee member and former Executive Director for China at IMF, former Deputy Director of State Administration of Foreign Exchange, and Qu Qian, IMI Assistant Director, attended the meeting and participated in the seminar. The meeting was chaired by Zhang Zhixiang, member of IMI Academic Committee, former Director-General of International Department, PBoC and Former Executive Director for China in IMF.

Before the discussion, Wei Benhua welcome the guests. Based on the important speech delivered by General Secretary Xi Jinping at the Beijing Summit of Forum on China-Africa Cooperation, he forecast the future for China-African cooperation. He listed China's assistance to Africa from the three aspects of capital, human resource and technology, and the role China's capital plays in releasing the African economic potentials. Wei Benhua mentioned that China has become the third largest shareholder of the IMF and has established a special China-Africa Development Fund. At this moment China encourages private sector enterprises to invest in infrastructure development in Africa. In this circumstance, realizing Africa's potentials in development can be anticipated.

Abebe Selassie gave a keynote speech titled "Africa: Improving Growth Potential". The speeches were carried out in three aspects: "the status quo and challenges of the development in sub-Saharan Africa", "Africa's view on China-Africa relationship" and "IMF's role in Africa". First, from the 1990s to 2016, Africa's income level has increased strongly. Although in 2016, in Nigeria and other seven major crude oil exporting countries, economy decreased by 1.5%, due to the decline in commodity exports, the upward trend remained strong in

countries with diversified economic sectors. However, debt crisis, severe or minor, due to infrastructure construction investment is also worth noting in sub-Saharan countries. Policy dialogues are necessary in this regard. Second, China-Africa cooperation is multi-faceted and multi-layered. 60 billion US dollars from China made the country Africa's largest creditor, but cooperation between China and Africa should be more than investment. China's development model is worth learning, especially in private-private trade. He predicted that in 2050, Africa will become the world's largest source of labor growth. Based on the aging of China's working population, Africa will be able to provide a higher return on investment. Lastly, Abebe Selassie pointed out that IMF's assistance to Africa is mainly policy advices, vocational trainings and financial support. In terms of financial support, he thinks that the IMF focuses more on adjustment, trying to steadily slow down the crisis through gradual supply of resources, in order to stabilize the economy.

During the roundtable discussion hosted great communication. Hot topics such as responses to possible African debt crises, possible welfare issues, China-Africa capacity cooperation, exchange rate risks, basic resources supply and investment, return on investment in sub-Saharan countries, transparency of public expenditure in the process of economic reform and Central Africa hot topics political and cultural exchanges were deeply discussed.

The Macro-Finance Salon is a high-level academic salon jointly organized by the International Monetary Institute and Monetary and Financial Department, School of Finance, Renmin University of China. The salon four categories: Policy Experts, Academic Experts, Business Elites and Young Scholars. Based on China's and the world's practices, it has built a high-level, professional and open platform for academic exchanges in order to promote the development of "Macro-Finance" disciplines in the new era and to carry out the "Macro-Finance" theories, policies and strategy researches. The concept of "Macro-Finance" originated in the basic idea of the combination of macro and micro financial theory advocated by Professor Huang Da. It conceptually originated the systematic idea of an inseparable whole of the financial and the real part of economy. Chen Yulu, PBoC's Deputy Governor, systematically demonstrated the basic connotation and methodology of "Macro-Finance" in his book, *The Outline of Big Finance*, and built a "Macro-Finance" that is conducive to long-term economic growth and national compacity. The concept is supported by both theories and evidence.

Macro-Finance Salon (No. 98): US Trade War with China and China's Economic New Normal

On Sep. 10th, Macro-Finance Salon (No.98) jointly organized by IMI and the School of Finance of Renmin University of China was successfully held in conference room 801 in Mingde Main Building. Chen Xingli, the visiting fellow at East Asian Research Institute at the National University of Singapore, delivered a speech themed on "US Trade War with China and China's Economic New Normal". Participated in discussion were Chen Weidong, director at Institute of International Finance of Bank of China, Wei Benhua, former deputy director of the State Administration of Foreign Exchange, Zhao Xijun, the deputy director of the School of Finance at Renmin University of China, Zhao Changhui, Chief Country Risk Analyst at



Export-import Bank of China.

Guests presented in the meeting also included Li Jing, professor at the economy college of Capital University of Economics, Lin Yongsheng, deputy director at the economics and resource management institute of Beijing Normal University, Wang Bin, chief macroeconomic analyst at the investment banking department of ICBC, Wang Xiaolu, deputy director of national economic research institute at China Reform Foundation, Mr. Zhou Siyi from the Beijing municipal government economic research institute.

The meeting was chaired by Zhang Zhixiang, member of IMI Academic Committee, former Director-General of International Department, PBoC and Former Executive Director for China in IMF. Chen's speech included mainly six issues: focuses and concerns of China and America, economic impacts to both countries, current situations, China's 30 years of reform and opening-up, China's economic new normal and reform opportunities in trade war threats.

Chen first analyzed the two countries' share of trade goods and then concluded that if trade war escalates, America's economy may lose more, but he admitted that China would face greater pressure in inflation and more new challenges due to weak industrial technologies. He believed that political and economic factors are intertwined in a trade war, at the beginning of trade war, political factors have stronger influence, but in the end, the result depends on economic factors.

He then analyzed some problems in China's economy since the reform and opening-up, such as the disparity between the rich and the poor, deleveraging, lacking of vision in businesses, imbalances in industrial structure and bubbles in housing market. He believed that the way out of these problems is to reform the whole industrial system.

At last, he talked about the economic new normal. He thought that the slowdown of growth is in line with the economic laws and poses great challenge in government's regulation ability. China's economic development is imbalanced in terms of deferent industries. In some old industries, China may be lagging behind, but in some new industries, China is in a leading role. With the forth industrial revolution arriving, trade war may be a great opportunity for China's development. In the discussion sector, guests discussed some hotspot issues such as financial risks and debt crisis under the present trade fraction, transformation of world economy, flexible solutions of trade war, investment efficiency and structure of government and businesses, global public goods shortage, expanding army and armament, influence of belt and road initiative in trade war, as well as China's images as a major creditor nation.

Macro-Finance Salon was jointly founded by IMI and the School of Finance of Renmin University of China. The salon is a platform that enables high-level academic discussions. It has mainly four columns, namely Policy Experts, Prestigious Scholars, Industrial Elites and Young Scholars. Since its establishment, following the goal of thinking global, acting local, the salon has become a high-level, professional and open platform in promoting "macro-finance" studies and boosting academic exchanges in "macro-finance" theories and policies. The idea of "macro-finance" is inspired by professor Huang Da and his proposition of combining macro- and micro-financial theories, and backed by the idea that finance and real economy are two integral parts of economic system.

Chen Yulu, vice president of the PBC, illustrated the basics and methodology of "macro-finance" in *Outlines of Macro-Finance*. His illustration has set theoretic and empirical

basis for “macro-finance” system, which will benefit long-term economic growth and national strength.

Macro-Finance Salon (No. 99): Chinese Economy in the Context of the Evolving US-China Relations

On Sep. 30th, Macro-Finance Salon (No.99) jointly organized by IMI and the School of Finance of Renmin University of China was successfully held in conference room 701 in Mingde Main Building. The Founder and Chairman of the China Chengxin International Credit Rating Co., Ltd. (“CCXI”), Mao Zhenhua, delivered a keynote speech entitled “Chinese Economy in the Context of the Evolving US-China Relation”. The meeting was chaired by DAI Wensheng, professor of the School of Finance of Renmin University of China and the IMI senior research fellow.

In his speech “Chinese Economy in the Context of the Evolving US-China Relation”, Prof.Mao first discusses whether US-China relations will enter “a new cold war”. He thinks that China is never an ally of the US and now both countries have entered a “strongman cycle” and that China’s determination to fight corruption is showcasing China’s strength. He then analyzes the trade conflicts between US and China. He believes that an important issue is whether China-US disputes will extend beyond a trade war. He also notes the trade war is not the reason behind China’s economic slowdown because China’s economy is still in a period of adjustment. The trade conflicts US started reveals its intent to contain China in various areas including market, technology, investment, geo-politics and military. He lists three possible scenario of how US-China rivalry plays out. The best scenario is it does not extend beyond a trade war. The second scenario is that China and US returned to an era of regional economic integration. The third, a new cold war. He warns us to prepare for a possible cold war.

In the discussion, the guests interacted and exchanged ideas with each other. They discussed the following hot topics: the cold war mentality, the likelihood of a hot war, China’s economic opening-up, US-China rivalry and the adaptivity of domestic enterprises.

Macro-Finance Salon, a high-level academic salon jointly organized by IMI and the School of Finance of Renmin University of China, has four series, namely Policy Experts, Academic Experts, Top Talents and Young Scholars. Based on China’s practice and following the latest international trends, the Salon is a high-level, specialized and open academic exchange platform that facilitates policy and strategy studies, the “Micro-Finance” discipline building in the new era and the implementation of macro-financial theory.

The concept “Macro-Finance” is derived from Prof. Huang Da’s notion of combining the macro and micro financial theories and it is in line with the approach of treating finance and the real economy as a whole. Chen Yulu, the deputy governor of PBoC, explained the concept and its methodology in his book *A General Theory of Macrofinance* and created the theoretical framework and empirical basis for the “Micro-Finance” system whose development is conducive to China’s long-term economic growth and the national competitiveness.



Exchange

The 2018 SinoPac Forum Was Held in the Headquarters of SinoPac Financial Holdings Co., Ltd..

On September 6th, the 2018 SinoPac Forum sponsored by Bank SinoPac and the IMI of Renmin University of China was held in the Headquarters of SinoPac Financial Holdings Co., Ltd..

On the forum, experts from management, research institutes, and financial industry of Hong Kong and Taiwan attended the forum and delivered speeches. Addressors included Weng Wenqi, Chairman of SinoPac Financial Holdings Co., Ltd and Independent Director Prof. Cai Yingyi of SinoPac Financial Holdings, Prof. Tu Yonghong and Prof. Song Ke from IMI of Renmin University of China, General Manager Zhuang Mingfu, General Manager Zhu Shiting, and Chairman Chen Jiaxian of Bank SinoPac, BBVA (Hong Kong)'s Chief Economist Dr. Xia Le, Executive Director Li Runzhi of PwC Taiwan, Dean Jianfu Lin from Taiwan Institute of Economic Research, Chairman of the Taipei Foundation of Finance Zhou Wutian.

Before the meeting, the Chair of Weng wenqi of SinoPac met with the IMI commission of Renmin University of China in a cordial atmosphere and extended warm welcome. He also thanked our commission for their insights in the forum and expressed his aspirations to further communication and cooperation.

This forum consists of two topics, “RMB Internationalization” and “Financial Technology and the Transformation of Commercial Banks”. Professor Tu Yonghong delivered a speech on “the Influence of China-US Trade War on RMB Internationalization”. She systematically analyzed the background, necessity, development process, and the measuring index (RII) of RMB Internationalization. She also talked about the evolution process, reasons, influences and coping strategies of China-US trade friction. She also presented her outlook on RMB Internationalization. She pointed out that RMB Internationalization is returning on the 2.0 fast track. To cope with trade friction, China should create a loose and normative market environment, encourage scientific innovation, protect IPR and turn “made in China” into “created in China”. China should also leverage the important role of private enterprises, enhance the advantages of trade volume, seize the developing opportunity of the “Belt and Road” and promote supply-side reform and high-quality development.

Professor Song delivered a speech on “FinTech and Digital Transformation in Banking”, clearly defined FinTech, and analyzed the major drivers for FinTech development, namely market, technology, funds, and regulation; he also elaborated on banking status in the process of FinTech advancement and explained to the audience by giving examples how FinTech can help traditional commercial banks transform into new type financial service providers.

Xia Le, Chief Economist for Asia at BBVA Research Department, addressed the

audience on “RMB Internationalization and China’s Bond Market Liberalization”. He reflected on the RMB internationalization progress, shared his views on the “811” exchange rate reform, and pointed out that the exchange rate is the major barrier to RMB internationalization. He also mentioned the next breakthrough of RMB internationalization lies in RMB bond market liberalization.

Cai Yingyi, an independent director of SinoPac Financial Holdings Co., Ltd and professor at National University of Kaohsiung, put forward his insights on the role that Taiwan could play in the process of RMB internationalization. Li Runzhi, executive director of Zicheng Enterprise Management Consulting Co., Ltd., shared the status quo and the future of Taiwan's FinTech from the perspective of a professional consultant. The guests and the directors from SinoPac Financial Holdings Co. also seized this valuable opportunity to ask questions. The extensive topics and the speakers' enlightened speeches benefited the guests to the fullest.

It is understood that the IMI of Renmin University of China and SinoPac have established a formal partnership in 2015. So far, they have jointly held multiple lectures and roundtable discussions, and combined their resources to jointly promote cross-strait financial cooperation.



The Ninth Conference to Translate the IMF History Book Series Was Held at Renmin University of China

On September 12, 2018, the ninth conference to translate the IMF History Book Series was held at Renmin University of China. The conference was attended by the head of translation, former deputy director of the State Administration of Foreign Exchange, Wei benhua; the former director of the international division of the People's Bank of China, Zhang Zhixiang; vice president of Chinese Finance Press, Cheng Jianguo; the director of foreign cooperation book editing department, He Wei; dean of the School of Economics and Finance of Renmin University, Zhuang Yumin; deputy director of the International Monetary Institute, Song Ke; and the project leader for each volume. The meeting was chaired by Mr. Zhang Jie, director of the International Monetary Institute at Renmin University.

First to speak, Vice president Mr. Cheng Jianguo affirmed each translation group's progress. He pointed out that it has been four years since the translation project has started, every project leaders and individual translators have all devoted their heart into the IMF History Book Series. Next, the secretariat and project leader for each volume updated progress in terms of translation and editing. Whenever slower progress was being reported, the secretariat made sure to enhance communication and supervision, so as to ensure the entire project would be completed in a timely fashion. Next, head of translation Mr. Wei Benhua and experts attending the conference discussed on how the books should be published and distributed. Finally, Dean Zhuang Yumin thanked the project members for their hard work and expressed strong support, on behalf of Remin University, for the translation project. The meeting ended in a warm and friendly atmosphere.

The International Monetary Fund History Book Series is written, edited and published by the IMF. It is a series of work detailing the history of the International Monetary Fund, from its inception in 1945 to 1999. The accounts include IMF's participation in the global monetary system reform and IMF's role in ensuring the normal operation of the global financial framework. The Series gives not only an authoritative and accurate account of the IMF, but also surveys the history of global economic and financial reform. It is of great practical significance for China, providing reference for financial reform, for building a monetary financial market system, for promoting RMB internationalization, and for China's participation in global leadership.

With the exclusive authorization of the International Monetary Fund in 2014, the Institute of Economics and Finance of Renmin University of China and the International Monetary Institute (IMI) jointly started work to compile and publish the International Monetary Fund History Book Series, a total of 11 volumes and more than 4.3 million words, for the first time in a foreign language. It is expected that the series will be officially published by the end of 2019. The compilation group comprises of leading international finance experts from politics and academia. Wu Xiaoqiu, vice president of Renmin University of China, and Zhang Tao, vice president of the International Monetary Fund, are invited to

serve as editorial director. The editorial board includes more than 40 members, such as the executive directors for China in IMF, policy leaders from the People's Bank of China, China Banking and Insurance Regulatory Commission, and China Security Regulatory Commission, as well as leading figures from the research institutes and academia. This is the ninth meeting to coordinate compilation and publication.



Global Bank Internationalization Report Released for the Fourth Consecutive Year

Global Bank Internationalization Report Released for the fourth consecutive year and Signing Ceremony of IMI, AIF and China Financial Publishing House Held at the Conference

On September 26th, Academy of Internet Finance (AIF) of Zhejiang University, International Monetary Institute (IMI) of Renmin University of China and Institute of Financial Research (IFR) of Zhejiang University held the Global Bank Internationalization Report Conference in Beijing for the fourth consecutive year, releasing the “2018 Global Bank Internationalization Report”. Experts from academia and the banking industry attended the meeting and conducted in-depth discussions.

The conference was hosted by AIF Financial Internationalization Lab and supported by Global Fintech Lab, China Financial Publishing House, Jintong Global Financial Talents, Beijing International Institute for Urban Development and Institute of Data & Risk (Zhejiang University).

On behalf of the research team, Prof. Ben Shenglin released the report. He said that the “2018 Global Bank Internationalization Report” takes a global perspective and analyzes 106 banks from 38 major economies. The total asset of these banks in 2017 were about 70 trillion US dollars, accounting for 86% of the global GDP of the year. From developed countries to developing ones, from Europe and America to Asia and Africa, the analysis covers major banks from major economies and demonstrates the internationalization of the global banking industry. The research team has also conducted a BII (Bank Internationalization Index) ranking for 64 foreign banks which provide relatively complete data. The total asset of these 64 banks is approximately 53 trillion US dollars, accounting for about 65% of the global GDP.

The results show that the most international banks are mostly from developed countries. The level of internationalization of banks is generally high in developed countries and uneven in developing countries. In addition, the report also ranks “the largest overseas banks” and “the most profitable overseas banks”. Prof. Ben pointed out that the bank internationalization is just unfolding globally. Some banks are going global and some are carefully adjusting their global strategies, forming a diversified landscape of internationalization.

Chairman Cao Tong delivered a keynote speech and thought banks face three problems amid their internationalization: “where to go”, “who is customer” and “how to serve customers”. From the perspective of blockchain, these problems are no longer important and the concept, path and meaning of internalization also change. In the era of new finance, Chinese banks still need to take new approaches to development and keep optimizing models and technologies.

Professor Wang Weian gave a speech on financial reform and opening up. He held that globalization was the only way for banks to transform themselves in the context of structural reform, and that “BRI” policies would also bring important opportunities. Meanwhile, domestic economic situation is increasingly complex, trade protectionism is surging, and reform and opening up will also increase the uncertainty of capital outflow. Banks need to

remain cautious about adjusting their global strategies.

Then, many scholars and representatives heatedly discussed banks' internationalization. Mr. Ding Zhigao, Vice President of UIBE, spoke highly of this report's meaning to academia and provided suggestions on building indicators from the perspectives of methods and studies. Mr. Zhao Xijun, Deputy Dean of School of Finance, RUC, proposed indicators could be improved with technological advances and reputation. Mr. Zhang Hongdi, Vice Chief Editor of China Financial Publishing House, held that this report blazed a trail in studying banks' internationalization from the perspective of publishing.

Mr. Yang Tao, Vice Director of National Institution for Finance & Development, proposed that banks should focus on risk factors amid "going global", such as compliance, operating and legal risks. Mr. Yang Chuandong, CEO of Standard Chartered Bank North China & President of Beijing Branch, believed that foreign banks should focus on localization in talents, products, services and strategies. Meanwhile, Chinese banks have made progress in their globalization and compete with foreign banks in products and services.

Representatives of finance industry from the "BRI" countries also shared their experience of globalization. Mr. Lu Pingxin, Representative of Pakistan Habib Bank Beijing Representative Office, said that in the context of "BRI" and "China-Pakistan Economic Cooperation Corridor", banks' increasing exchanges and cooperation have boosted their internationalization. Fu Chenggang, China Chief Representative of Abu Dhabi International Financial Center, proposed that international financial centers have a major impact on the banking industry.

Yu Jiefang, the associate professor at the School of Economics of Zhejiang University, thanked for the improvement suggestions on indexes and acknowledged that the development of new formats has indeed had a huge impact on traditional finance. In the future, the index will be further considered from the business perspective. Yang Liuyong, the deputy director of the Institute of Finance of Zhejiang University, suggested that some indicators should be added to provide more solid contents for future bank internationalization database.

At the meeting, the AIF of Zhejiang University, IMI and China Financial Publishing House held the signing ceremony together. The dean of AIF of Zhejiang University Ben Shenglin, the director of IMI Zhang Jie and the deputy chief editor Zhang Hongdi have signed the strategic cooperation agreement on behalf of the three parties respectively. They are committed to creating a series of prominent publications in financial field to jointly promote the cooperation and development of academic resources and publishing platforms.

It is reported that the AIF Financial Internationalization Laboratory of Zhejiang University has published the "2018 Global Bank Internationalization Report" for the fourth consecutive year. It continues to show the internationalization process of major banks around the world according to the Bank Internationalization Index (BII). Among them, the three major indicators that directly reflect the internationalization level of banks are regarded as first-level indicators for the calculation of BII scores, namely overseas asset accumulation, overseas business achievements and global layout. Secondary indicators are also set up correspondingly and further information will be interpreted in detail in text analysis. In terms of the indicator system's application, this report adds an international analysis of banks along the Belt and Road to show the outbound practices of banks around the world from a global perspective, exploring the trends and directions of bank internationalization and providing



both scientific and rational development proposals for them.

The Financial Internationalization Laboratory is jointly guided by the AIF of Zhejiang University and IMI. Outstanding professors from Zhejiang University and Renmin University of China lead the conference, taking financial academic and industrial elites, excellent students with master or PhD degrees from two universities as the core research team. They are committed to conducting systematic research on the international development of China's financial sector and ultimately helping Chinese-funded financial institutions and other financial entities to fully understand the current development condition, actively grasp development opportunities, summarize and exchange overseas experience, rationally design institutional layout, and formulate a sound international development strategy. It is another research platform facilitated by IMI of Renmin University of China and AIF of Zhejiang University for financial internationalization and financial power.

The laboratory is featured by the series of reports of "Global Bank Internationalization Index", with the international development of global banks as the main research object. It is one of the earliest and most comprehensive and systematic projects on bank internationalization research in China for it firstly analyzes the current situation of bank internationalization and the challenges and opportunities in the process of internationalization by exponential forms, and on that basis, puts forward targeted strategic advice.



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